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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

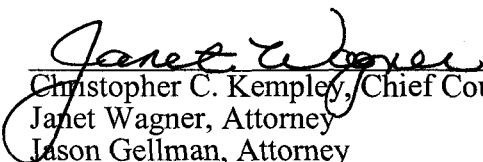
IN THE MATTER OF THE APPLICATION OF
ARIZONA PUBLIC SERVICE COMPANY FOR A
HEARING TO DETERMINE THE FAIR VALUE
OF THE UTILITY PROPERTY OF THE
COMPANY FOR RATEMAKING PURPOSES, TO
FIX A JUST AND REASONABLE RATE OF
RETURN THEREON, TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP SUCH
RETURN, AND FOR APPROVAL OF
PURCHASED POWER CONTRACT.

DOCKET NO. E-01345A-03-0437

NOTICE OF FILING
PLAN OF ADMINISTRATION FOR
POWER SUPPLY ADJUSTOR

Commission Staff hereby gives notice of filing the Plan of Administration for the Arizona Public Service Company ("APS") Power Supply Adjustor ("PSA"), as provided by Decision No. 68437. This notice is submitted by Staff on behalf of the parties. The Plan of Administration has been provided to all Settling Parties for consideration and comment.

RESPECTFULLY SUBMITTED this 20th day of March, 2006.


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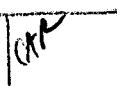
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Arizona Corporation Commission

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DOCUMENT CONTROL

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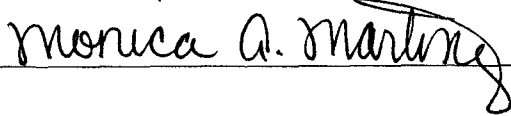
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Power Supply Adjustment Plan of Administration

Power Supply Adjustment Plan of Administration

General Description

The purpose of the Power Supply Adjustment ("PSA") is to track changes in Arizona Public Service Company's ("APS") cost of obtaining power supplies. This is done by making an annual adjustment to the cost of fuel and purchased power embedded in APS' base rates. The PSA applies to all fuel and purchased power costs incurred on or after April 1, 2005. The costs/savings are shared on a 90 percent customer/10 percent APS basis. The PSA has four different accounts: 1) an Annual Tracking Account, 2) an Annual Adjustor Account, 3) a Paragraph 19(d) Balancing Account, and 4) a Surcharge Account for any surcharge approved by the Commission.

Entries are made each month into the Annual Tracking Account. These entries reflect 90 percent of the difference between incurred fuel and purchased power costs and the sum of costs collected through the base cost of fuel and purchased power rate (\$0.020743 established in Decision No. 67744).

Monthly entries into the Annual Tracking Account are adjusted for the calculated net savings from the PPL Sundance plant, using the methodology approved in Decision No. 67504 (p. 50). APS calculates the new fuel cost savings, purchased power savings, and incremental off-system margin impacts by comparing two sets of projections for its own load fuel and purchased power costs and off-system sales margins and using the difference as the net savings amounts associated with the Sundance generation units. One set of projections assumes APS ownership of the Sundance plant and the other set assumes APS did not own the Sundance plant. The monthly entries into the Annual Tracking Account are adjusted as if the Sundance plant was not acquired by APS. This adjustment will no longer be made once rates are effective that recover the capital and operating costs of the Sundance plant.

The results of the PSA are applied to customer bills through the Adjustor Rate. The Adjustor Rate is applicable to APS' retail electric rate schedules (with the exception of Solar-1, Solar-2, SP-1, E-3, E-4, E-36 and Direct Access service) and is adjusted annually. It is applied to the customer's bill as a monthly kilowatt-hour ("kWh") charge that is the same for all customer classes. The Adjustor Rate is reset on February 1 of each year. The Adjustor Rate must remain within a plus or minus \$0.004 per kWh bandwidth that limits the amount it can increase or decrease in a year. Decision No. 67744 also limits the Adjustor Rate to \$0.004 from the base level (\$0.000) over the entire term of the PSA. Examples of applying the two bandwidths are as follows:

1. Assume that the Adjustor Rate was set at *negative* \$0.002 per kWh. The following year, the calculation of the new Adjustor Rate would indicate a new rate of *positive* \$0.003 per kWh. However, since that rate would constitute a change of \$0.005 from

the prior year's Adjustor Rate, the new Adjustor Rate would be set at \$0.002 per kWh. That new rate would meet the limit of \$0.004 from the base level.

2. Assume that the Adjustor Rate was set at \$0.003 per kWh. The following year, the calculation of the new Adjustor Rate would indicate a new rate of \$0.005 per kWh. Although the annual change is less than \$0.004, the new rate would constitute a change from the base level that is greater than \$0.004. Therefore, the new Adjustor Rate would be set at \$0.004 per kWh.

The Adjustor Rate is reset on February 1 each year. The new Adjustor Rate is effective with the first billing cycle in February unless suspended by the Commission. It is not prorated. APS submits a publicly available report to the Commission that shows the calculation of the new Adjustor Rate. The amount expected to be recovered or refunded through the Adjustor Rate is entered into the Annual Adjustor Account.

Any recoverable or refundable amounts outside of the bandwidths are recorded in the Paragraph 19(d) Balancing Account and will carry over to the subsequent year or years. The carryover amount shall not be subject to further sharing. Surcharges may be approved by the Commission to recover/refund amounts in the Paragraph 19(d) Balancing Account. Amounts approved for collection through surcharges will be removed from of the Paragraph 19(d) Balancing Account.

Definitions

Adjustor Rate – A per kWh charge that is updated annually on February 1 of each year. The purpose of this charge is to adjust the cost of fuel and purchased power embedded in APS' base rates to reflect the prior calendar year's fuel and purchased power costs. This annual adjustment is limited to a maximum change of plus or minus 4 mills in a year and over the term of the PSA.

Annual Adjustor Account – A schedule/account by year that shows/records (after the comparison of that year's actual versus collected base fuel and purchased power costs, subject to the cap, and after application of the 90/10 sharing mechanism) the amount that is available to be recovered through the PSA; the amount that can be collected through the 4 mill adjustor and the applicable Adjustor Rate; and that tracks/records collections per month and the monthly ending balance remaining to be collected.

Annual Tracking Account – A schedule/account by year that tracks/records on a monthly basis APS' over/under-recovery of its actual costs of fuel and purchased power as compared to the base cost, subject to a cap of \$776,200,000 per calendar year. (Decision No. 68437 allows deferral of costs in excess of the cap until the issue has been further examined in Docket No. E-01345A-06-0009.)

Base Cost of Fuel and Purchased Power – The fuel and purchased power cost embedded in the base rates approved by the Commission in APS' most recent rate case. Decision No. 67744 set the base cost at \$0.020743 per kWh.

ISFSI – Costs associated with the Independent Spent Fuel Storage Installation that stores spent nuclear fuel.

Mark-to-Market Accounting – Recording the value of qualifying commodity contracts to reflect their current market value relative to their actual cost.

Native Load – Native load includes customer load in the APS control area for which APS has a generation service obligation and PacifiCorp Supplemental Sales.

PacifiCorp Supplemental Sales – The PacifiCorp Supplemental Sales agreement is a long- term contract from 1990, which requires APS to offer a certain amount of energy to PacifiCorp each year. It is a component of the set of agreements that led to the sale of Cholla Unit 4 to PacifiCorp and the establishment of the seasonal diversity exchange with PacifiCorp.

Paragraph 19(d) Balancing Account – A schedule/account that shows/records the amount (after the application of the 4 mill adjustor) that remains to be refunded or collected through either a Surcharge or through the next year's 4 mill adjustor, as well as any interest accruals.

PSA – The Power Supply Adjustment mechanism used to update the Base Cost of Fuel and Purchased Power each year for fluctuations in APS' actual cost of fuel and purchased power.

Preference Power – Power allocated to APS wholesale customers by federal power agencies such as the Western Area Power Administration.

Surcharge – A per kWh charge that can be applied to customer bills after Commission approval to collect, or refund, an amount for the purpose of reducing the balance in the Paragraph 19(d) Balancing Account. It can be either a positive or negative charge.

Surcharge Account – A schedule/account that shows/records any Surcharge approved, including the amount, timing, rate, and whether interest is applied; and that tracks/records collections per month and the monthly ending balance remaining to be collected.

System Book Fuel and Purchased Power Costs – The costs recorded for the fuel and purchased power used by APS to serve both Native Load and off-system sales, less the costs associated with applicable special contracts, E-36, RCDAC-1, ISFSI, Mark-to-Market Accounting adjustments, and the savings associated with the acquisition of the Sundance plant.

System Book Off-System Sales Revenue – The revenue recorded from sales made to non-Native Load customers, for the purpose of optimizing the APS system, using APS-owned or contracted generation and purchased power, less Mark-to-Market Accounting adjustments.

Traditional Sales-for-Resale – The portion of load from Native Load wholesale customers served by APS, but excluding the load served with Preference Power.

Wheeling Costs (FERC Account 565, Transmission of Electricity by Others) – Amounts payable to others for the transmission of APS' electricity over transmission facilities owned by others.

Calculations

Schedule 1. Annual Tracking Account

1. Enter the monthly Retail Energy Sales (MWh) and the monthly Wholesale Native Load Energy Sales. Add these two items together to produce the monthly Total Native Load Energy Sales. Currently, Wholesale Native Load Energy Sales include Traditional Sales-for-Resale and PacifiCorp Supplemental Sales.
2. Enter the monthly System Book Fuel and Purchased Power Costs and the monthly System Book Off-System Sales Revenue. Subtract the System Book Off-System Sales Revenue from the System Book Fuel and Purchased Power Costs to produce the monthly Net Native Load Power Supply Costs. The System Book Fuel and Purchased Power Costs shall be adjusted for the calculated net savings from Sundance using the methodology approved in Decision No. 67504 from the PPL Sundance docket. The off-system sales margin is embedded in the Net Native Load Power Supply Cost. The costs associated with the off-system sales are included in the System Book Fuel and Purchased Power Costs. When the System Book Off-System Sales Revenue is subtracted from the System Book Fuel and Purchased Power Costs, the difference between the off-system sales costs and revenue ends up in the Net Native Load Power Supply Cost. That difference is the off-system sales margin. A list of the items included in the PSA sales and costs described above will be included in the PSA reporting schedules filed with the Commission each month.
3. To calculate the Retail Power Supply Costs, divide the Retail Energy Sales by the Total Native Load Energy Sales and then multiply the product by the Net Native Load Power Supply Costs. The annual amount of Retail Power Supply Costs that can be used to calculate the annual Adjustor Rate cannot exceed \$776,200,000. Decision No. 68437 allows deferral of costs in excess of the

cap until the issue has been further examined in Docket No. E-01345A-06-0009.

Directly-assigned power supply costs and related energy sales from applicable Special Contract customers, Schedule E-36 customers, and customers returning to Standard Offer service from competitive generation subject to Returning Customer Direct Access Charge ("RCDAC") treatment will be deducted prior to the above calculations.

4. The amount recovered by the power supply costs embedded in base rates has to be calculated in order to determine the monthly (over)/under collection. To calculate the monthly Base Rate Power Supply Revenue, multiply the Retail Energy Sales by the Base Cost of Fuel and Purchased Power.
5. Subtract the Base Rate Power Supply Revenue from the Retail Power Supply Costs to get the monthly Pre-90/10 Sharing (Over)/Under Collection amount.
6. The Post-90/10 Sharing (Over)/Under Collection amount is calculated by multiplying the Pre-90/10 Sharing (Over)/Under Collection amount by 90 percent. Each monthly Post-90/10 Sharing (Over)/Under Collection amount is added to the cumulative Tracking Account Balance.
7. An interest rate, based on the one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15, is applied each month to the previous month's Tracking Account Balance and added to the cumulative Tracking Account Balance. The interest rate is adjusted annually on the first business day of the calendar year in the same manner as the APS customer deposit rate.

Schedule 2. Annual PSA Adjustor Rate Calculation

1. Enter the Tracking Account Balance from Schedule 1.
2. Add the Annual Adjustor Account Balance from Schedule 3, the Paragraph 19(d) Balancing Account Balance from Schedule 4, and the Surcharge Account Balance (if a Surcharge has terminated) from Schedule 5 to determine the Total (Credit)/Charge Amount.
3. The Computed Adjustor Rate is calculated by dividing the Total Credit/Charge Amount by the Projected Energy Sales (kWh) for the next 12 months. The Computed Adjustor Rate is then compared to the plus or minus \$0.004 per kWh bandwidth. The Projected Energy Sales amount will exclude E-3, E-4, and E-36 sales.
4. The Adjustor Rate Bandwidth Upper Limit is \$0.004 per kWh. The Adjustor Rate Bandwidth Lower Limit is \$(0.004) per kWh.

5. If the Computed Adjustor Rate is inside the bandwidth, the Computed Adjustor Rate becomes the Applicable Adjustor Rate, except that the Adjustor Rate is limited to \$0.004 from the original base level (\$0.000) over the entire term of the PSA. It is then applied to customer monthly bills for the next 12 months.
6. If the Computed Adjustor Rate is outside the bandwidth, the Applicable Adjustor Rate can be no higher than the upper limit of the bandwidth and no lower than the lower limit of the bandwidth.
7. The Applicable Adjustor Rate is multiplied by the projected Energy Sales to calculate the amount to be carried forward to the Annual Adjustor Account.
8. If the amount to be carried forward to the Annual Adjustor Account is less than the Total (Credit)/Charge Amount used to calculate the Applicable Adjustor Rate, then the difference is carried forward to the Paragraph 19(d) Balancing Account.

Schedule 3. Annual Adjustor Account

1. The Adjustor Rate from Schedule 2 is entered on Schedule 3 in February. The Amount Carried Forward to Annual Adjustor Account is entered as the Beginning Balance.
2. Each month, the Adjustor Rate is multiplied by the Retail Energy Sales to calculate the revenue received from the Adjustor Rate. The revenue is subtracted from the Beginning Balance.
3. Interest is applied monthly based on the effective one-year Nominal Treasury Constant Maturities rate that is contained in the Federal Reserve Statistical Release, H-15, or its successor publication. The interest rate is adjusted annually on the first business day of the calendar year in the same manner as the APS customer deposit rate.

Schedule 4. Paragraph 19(d) Balancing Account

1. The Amount Carried Forward to Paragraph 19(d) Balancing Account from Schedule 2 is entered as the Beginning Balance.
2. Each month, interest is applied based on the effective one-year Nominal Treasury Constant Maturities rate that is contained in the Federal Reserve Statistical Release, H-15, or its successor publication. The interest rate is adjusted annually on the first business day of the calendar year in the same manner as the APS customer deposit rate.

3. Whenever the Commission approves a Surcharge, the amount to be collected through the surcharge is subtracted from the balance.

APS is required to make a filing for a Surcharge in the following circumstances. If the size of the Paragraph 19(d) Balancing Account, as shown in the monthly reports filed with the Commission, reaches plus or minus \$50 million, APS has up to 45 days to either file a request for Commission approval of a Surcharge or an explanation of why such a Surcharge is not necessary. In no event shall APS allow the Paragraph 19(d) Balancing Account to reach \$100 million prior to seeking recovery or refund. Should APS seek to recover or refund an amount from the Paragraph 19(d) Balancing Account, the timing and manner of recovery, or refund, and whether interest will be allowed to accrue on the Surcharge balance, will be addressed at that time.

Schedule 5. Surcharge Account

1. The approved Surcharge Rate is entered on Schedule 5 in the month it takes effect. The timing of the Surcharge and whether interest is applied are indicated on the schedule. The approved Surcharge amount is entered as the Beginning Balance.
2. Each month, the Surcharge Rate is multiplied by the Retail Energy Sales to calculate the revenue received from the Surcharge Rate. The revenue is subtracted from the Beginning Balance.
3. If interest is authorized, it is applied monthly based on the effective one-year Nominal Treasury Constant Maturities rate that is contained in the Federal Reserve Statistical Release, H-15, or its successor publication. The interest rate is adjusted annually on the first business day of the calendar year in the same manner as the APS customer deposit rate.

Compliance Reports

APS shall provide monthly reports to Staff's Compliance Section and to the Residential Utility Consumer Office detailing all calculations related to the PSA. An APS Officer shall certify under oath that all information provided in the reports itemized below is true and accurate to the best of his or her information and belief. These monthly reports shall be due within 30 days of the end of the reporting period.

The publicly available reports will include at a minimum:

1. The Annual Tracking Account, Annual Adjustor Account, Paragraph 19(d) Balancing Account, and Surcharge Account calculations, including all input and outputs.
2. Total power and fuel costs.

3. Customer sales in both MWh and thousands of dollars by customer class.
4. Number of customers by customer class.
5. A detailed listing of all items excluded from the PSA calculations.
6. A detailed listing of any adjustments to the adjustor reports.
7. Total off-system sales revenues.
8. System losses in MW and MWh.
9. Monthly maximum retail demand in MW.
10. Identification of a contact person and phone number from APS for questions.

APS shall provide to Commission Staff monthly reports containing the information listed below. These reports shall be due within 30 days of the end of the reporting period. All of these additional reports will be provided confidentially.

A. Information for each generating unit shall include the following items:

1. Net generation, in MWh per month, and 12 months cumulatively.
2. Average heat rate, both monthly and 12-month average.
3. Equivalent forced-outage rate, both monthly and 12-month average.
4. Outage information for each month including, but not limited to, event type, start date and time, end date and time, and a description.
5. Total fuel costs per month.
6. The fuel cost per kWh per month.

B. Information on power purchases shall include the following items per seller:

1. The quantity purchased in MWh.
2. The demand purchased in MW to the extent specified in the contract.
3. The total cost for demand to the extent specified in the contract.
4. The total cost of energy.

Information on economy interchange purchases may be aggregated.

C. Information on off-system sales shall include the following items:

1. An itemization of off-system sales margins per buyer.
2. Details on negative off-system sales margins.

D. Fuel purchase information shall include the following items:

1. Natural gas interstate pipeline costs, itemized by pipeline and by individual cost components, such as reservation charge, usage, surcharges and fuel.
2. Natural gas commodity costs, categorized by short-term purchases (one month or less) and longer term purchases, including price per therm, total cost, supply basin, and volume by contract.

- E. Monthly projections for the next 12-month period showing estimated (Over)/under-collected amounts.
- F. A summary of unplanned outage costs by resource type.

Work papers and other documents that contain proprietary or confidential information will be provided to the Commission Staff under an appropriate confidentiality agreement. APS will keep fuel and purchased power invoices and contracts available for Commission review. The Commission has the right to review the prudence of fuel and power purchases and any calculations associated with the PSA at any time. Any costs flowed through the PSA are subject to refund, if those costs are found to be imprudently incurred.

Allowable Costs

The allowable PSA costs include fuel and purchased power costs incurred to provide service to retail customers. Additionally, the prudent direct costs of contracts used for hedging system fuel and purchased power will be recovered under the PSA. The allowable cost components presently include the following Federal Energy Regulatory Commission ("FERC") accounts:

1. 501 Fuel (Steam)
2. 518 Fuel (Nuclear) less ISFSI regulatory amortization
3. 547 Fuel (Other Production)
4. 555 Purchased Power
5. 565 Wheeling (Transmission of Electricity by Others)

These accounts are subject to change if the Federal Energy Regulatory Commission alters its accounting requirements or definitions.

Directly Assignable Power Supply Costs Excluded

Decision No. 66567 provides APS the ability to recover reasonable and prudent costs associated with customers who have left APS standard offer service, including special contract rates, for a competitive generation supplier and then return to standard offer service. For administrative purposes, customers who were direct access customers since origination of service and request standard offer service would be considered to be returning customers. A direct assignment or special adjustment may be applied that recognizes the cost differential between the power purchases needed to accommodate the returning customer and the power supply cost component of the otherwise applicable standard offer service rate. This process is described in the Returning Customer Direct Access Charge rate schedule and associated Plan for Administration filed with the Commission.

In addition, if APS purchases power under specific terms on behalf of a standard offer special contract customer, the costs of that power may be directly assigned. In both cases, where specific power supply costs are identified and directly assigned to a large returning customer or standard offer special contract customer or group of customers, these costs will be excluded from the Adjustor Rate calculations. Schedule E-36 customers are directly assigned power supply costs based on the APS system incremental cost at the time the customer is consuming power from the APS system so their power supply costs are excluded from the PSA.

ARIZONA PUBLIC SERVICE COMPANY

Schedule 1

Annual Tracking Account

Year 20XX

(\$ in thousands)

Line No.	Month	(a) Retail ¹ Energy Sales (MWh)	(b) Wholesale ² Native Load Energy Sales (MWh)	(c) Total Native Load Energy Sales (MWh) (a + b)	(d) System ³ Book Fuel and Purchased Power Costs	(e) System Book ⁴ Off-System Sales Revenue	(f) Net Native Load Power Supply Costs (d - e)	(g) Retail ⁵ Power Supply Costs (a/c * f)	(h) Base Rate Power Supply Revenue (a * 0.0XXXXXX)	(i) Pre-90/10 Sharing (Over)/Under Collection (g - h)	(j) Post-90/10 Sharing (Over)/Under Collection (i * 0.9)	(k) Interest (i*rate/12)	(l) Tracking Account Balance (j+k+l)
1	Jan.	-	-	-	\$	\$	\$	\$	-	\$	-	\$	\$
2	Feb.	-	-	-	\$	\$	\$	\$	-	\$	-	\$	\$
3	Mar.	-	-	-	\$	\$	\$	\$	-	\$	-	\$	\$
4	Apr.	-	-	-	\$	\$	\$	\$	-	\$	-	\$	\$
5	May	-	-	-	\$	\$	\$	\$	-	\$	-	\$	\$
6	Jun.	-	-	-	\$	\$	\$	\$	-	\$	-	\$	\$
7	Jul.	-	-	-	\$	\$	\$	\$	-	\$	-	\$	\$
8	Aug.	-	-	-	\$	\$	\$	\$	-	\$	-	\$	\$
9	Sep.	-	-	-	\$	\$	\$	\$	-	\$	-	\$	\$
10	Oct.	-	-	-	\$	\$	\$	\$	-	\$	-	\$	\$
11	Nov.	-	-	-	\$	\$	\$	\$	-	\$	-	\$	\$
12	Dec.	-	-	-	\$	\$	\$	\$	-	\$	-	\$	\$
12.5													
13	Total	-	-	-	\$	\$	\$	\$	-	\$	-	\$	\$
14		interest rate ⁶ = X.XX%											

¹ Retail energy sales of XX,XXX MWh under rate schedule E-36 were excluded.

² Includes traditional sales-for-resale and PacifiCorp supplemental sales.

³ Includes native load and off-system fuel and purchased power costs less those costs associated with E-36 (\$X,XXX,XXX), ISFSI and mark-to-market accounting adjustments.

⁴ Excludes net savings of \$X,XXX,XXX associated with the Sundance units and \$X,XXX of broker fees.

⁵ Includes off-system revenue less mark-to-market accounting adjustments.

⁶ The maximum annual amount that can be used for the PSA calculation is \$776,200,000. However, Decision No. 68437 allows deferral of costs in excess of the cap until this issue has been further examined in Docket No. E-01345A-06-0009.

⁷ Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 2
PSA Adjustor Rate Calculation

Line			
No. <u>PSA Adjustor Rate Calculation</u>			
1	Tracking Account Balance (from Schedule 1)	\$ -	
2	Annual Adjustor Account Balance (from Schedule 3)*	\$ -	
3	Surcharge Account Balance after surcharge termination (from Schedule 5)**	\$ -	
4	Paragraph 19(d) Balancing Account Balance (from Schedule 4)**	\$ -	
5	Total (Credit)/Charge Amount (Line 1 + Line 2 + Line 3 + Line 4)		\$ -
6	Projected Energy Sales without E-3, E-4 and E-36 (kWh)	-	
7	Computed Adjustor Rate per kWh (Line 5/ Line 6)	\$ -	
8	Current Adjustor Rate per kWh	\$ -	
9	Difference between Current Adj. Rate and Computed Adj. Rate (line 7 - line 8)	\$ -	
<u>Adjustor Rate Bandwidth</u>			
10	Adjustor Rate Bandwidth Upper Limit	\$ 0.004000	
11	Adjustor Rate Bandwidth Lower Limit	\$ (0.004000)	
12	Applicable Adjustor Rate per kWh for February 1, 20XX		\$ -
13	Amount Carried Forward to Annual Adjustor Account (Line 6 * Line 12)		\$ -
14	Amount Carried Forward to Paragraph 19(d) Balancing Account (Line 5 - Line 13)		\$ -

* Because the actual amount of revenue to be received in January from the adjustor rate was not yet available at the time of filing this schedule, the Annual Adjustor Account Balance used here contains estimated revenue for January. The difference between estimated and actual revenue for January will be included in the February numbers for the new year's Annual Adjustor Account.

** Includes interest for January.

ARIZONA PUBLIC SERVICE COMPANY

Schedule 3

Annual Adjustor Account

Year February 20XX - January 20XX

(\$ in thousands)

Line No.	February	March	April	May	June	July	August	September	October	November	December	January
1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

¹ Excludes sales from E-36, E-3, and E-4 rate schedules.

² True-up is the result of using estimated revenue for January in the annual PSA Adjustor Rate Calculation because the actual amount was not available at the time of filing that schedule.

³ Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15.

ARIZONA PUBLIC SERVICE COMPANY

Schedule 4

Paragraph 19(d) Balancing Account

Year February 20XX - January 20XX

(in thousands)

Line No.	February	March	April	May	June	July	August	September	October	November	December	January
1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

¹ Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15.

ARIZONA PUBLIC SERVICE COMPANY

Schedule 5

Surcharge Account

Year February 20XX - January 20XX
(\$ in thousands)

Line No.	February	March	April	May	June	July	August	September	October	November	December	January
1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	-	-	-	-	-	-	-	-	-	-	-	-
3	\$ -	-	-	-	-	-	-	-	-	-	-	-
4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

1 Surcharge Rate
Effective on XXX, 20XX for X years or when
\$XXXXXX is collected, with interest)

2 Retail Energy Sales¹ (MWh)

3 Beginning Balance

4 Less: Revenue from Surcharge Rate (line 1 * line 2)

5 Monthly Interest (line 3 * (X.XX%/12)²

6 Ending Balance with Interest (line 3 - line 4 + line 5)

¹ Excludes sales from E-36, E-3, and E-4 rate schedules.

² Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15.